

## **The State of Irish Estates: research shows inheritance planning is poor amongst people in Ireland**

- ***1 in 5 over 55-year olds expect to leave estates of over half a million euro***
- ***84% of people in Ireland don't know the current inheritance tax rate, which could seriously impact inheritance for their family***
- ***Half of adults think their family home is exempt from inheritance tax***
- ***Inertia is evident as less than half of people have a will***

5<sup>th</sup> September 2018 - Despite record levels of wealth and an ageing population, people in Ireland aren't properly planning for how they will pass on their wealth after they die. Recent research conducted on behalf of Irish Life\* has found that although people in Ireland intend to leave significant sums as inheritance to their family, there is a stark lack of awareness around inheritance and tax implications.

Having accumulated more wealth over their lifetime, 20% of over 55-year olds expect to leave over €500,000 in inheritance and a quarter of over 65s expect to leave the same amount to their families. This is contrasted with the "squeezed middle" generation, where just 7% of 35-54 year olds expect to leave more than €500,000 in inheritance to their families. Almost half (47%) of people plan to leave over €100,000 in inheritance.

There is a widespread lack of awareness of the levels of inheritance tax that may have to be paid by families in the coming years, with 84% of people not knowing what the current inheritance tax rate is, and two thirds of people do not know what the thresholds are. The current tax-free allowance for children is now €310,000, significantly lower than the €542,000 threshold prior to the financial crisis.

The research also found that half of people think that their family home is totally exempt from inheritance tax. With strong increases in the value of property and stock-markets over the last five years, thousands of people risk leaving big tax bills behind for their family to face in the future.

Kate Connor, Protection Manager, Irish Life, commented on the findings; "It's concerning to see that so many people think their family home is automatically exempt from inheritance tax when passing it on to children or grand-children. Although many people intend to leave significant amounts to their children and grand-children when they die, most of them are unaware that those family members could be liable for a very substantial tax bill on those inheritances.

Reductions in the tax-free thresholds during the downturn, together with increases in the inheritance tax rate, have resulted in more people needing to take action now to plan ahead for the tax bills that their family could face".

Irish Life recommends as a first step to visit [www.revenue.ie](http://www.revenue.ie) for details on the inheritance tax thresholds and rates. You should then get professional legal, tax and financial advice to

put a plan in place, including a will, to ensure that your estate is taken care of in a tax-efficient way. As part of that, you should ask your adviser about a Section 72 Life Insurance plan, which is specifically designed to pay the inheritance tax on your estate when you die.

The lack of planning for inheritance is also evidenced by the fact that only 43% of people in Ireland claim to have a will in place, and a quarter of over 55-year olds have no plan for transferring their assets in the future. The research also found that only half of people have discussed their inheritance plans with a solicitor, while another third haven't yet discussed their financial plans with anyone.

### **Inheritance Tax example 1:**

The average price for a 4-bedroom bungalow/house in South County Dublin is €877,000\*\*. If a parent leaves their house to one child, the inheritance tax threshold for this child is €310,000. With an inheritance tax rate of 33% on the remaining €567,000 house value, this could result in an inheritance tax bill of €187,110.

If the home above was left to two children, the inheritance tax threshold for both children is €620,000. With 33% tax on the remaining €257,000 house value, this could result in an inheritance tax bill of €84,810 in total - €42,405 per child.

### **Inheritance Tax example 2:**

The average price for a house in Cork City is €273,894\*\*. If a grandparent leaves their house to a grandchild, the inheritance tax threshold for grandchildren is €32,500. With an inheritance tax rate of 33% tax on the remaining €241,394 house value, this could result in an inheritance tax bill of €79,660.

**-Ends-**

\*Research carried out between 21<sup>st</sup> and 29<sup>th</sup> June 2018 by Coyne Research. 1,000 adults aged 18+

\*\* Daft.ie House Price Report Q2 2018. View report [HERE](#)